

**CITY OF WATERTOWN, NEW YORK**  
**PARKS AND RECREATION**  
**AGREED-UPON PROCEDURES ENGAGEMENT**

**CITY OF WATERTOWN, NEW YORK**

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**PARKS AND RECREATION  
AGREED-UPON PROCEDURES INDEX**

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**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

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## **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

May 20, 2011

To the Members of the City Council and Management  
of City of Watertown, New York

We have performed the procedures enumerated below, which were agreed to by Members of the City Council and Management of the City of Watertown, New York, solely to assist you with respect to the accounting records of City of Watertown, New York Parks and Recreation Department and to assist in evaluating other nonfinancial information, prepared in accordance with the criteria specified therein, of City of Watertown, New York Parks and Recreation Department as of May 20, 2011 and for the three year period preceding this date. City of Watertown, New York's management is responsible for the accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

### **Walkthroughs:**

- **We performed walkthroughs with various staff of general control procedures in order to obtain an understanding of current policies and procedures currently in place at the Parks and Recreation Department.**
  - **Overall evaluation of segregation of duties within the Department:**
    - Conflicting duties noted during procedure walkthroughs.
    - Based on discussions with Parks and Recreation Department staff, it was noted that there was a lack of adequate staffing within the Department based on the volume of work.
    - Based on our overall review it was determined that there is a lack of communication, accountability and supervision between the Parks and Recreation Department, Department of Public Works and the Comptroller's Office.
  - **Review of physical controls and security at the Parks and Recreation Building:**
    - Based on discussions with staff and management, as well as visual inspection of specific areas of the building, weaknesses were noted in the physical security of cash on hand as well as other Department information.
  - **Evaluation of the adequacy and capabilities of Department computer software:**
    - Per discussions with Parks and Recreation staff, weaknesses were noted in the current software purchased by the City to be used for scheduling purposes, with limited training provided to staff at the Parks and Recreation Department regarding software use and capabilities.

*See Letter of Comments and Recommendations for details regarding the above findings.*

- **We performed a walkthrough of the revenue and receivable cycles with staff in order to obtain an understanding of the flow of transactions at the Parks and Recreation Department.**
  - **Review of processes over billing:**
    - Based on discussions with staff and management, the current billing processes are not clearly defined and therefore not effective within the Department.
  - **Review of processes over receipt of payments:**
    - Current receiving processes over payments are inconsistent and very weak from a control standpoint.
  - **Frequency of deposits:**
    - Per discussions with staff and management, it is noted that the policies in place over deposits are not being followed by staff or enforced by management.

- **Evaluation of accounts receivable collection procedures:**

- Per discussions with staff and management, it is noted that the Parks and Recreation Department and Comptroller's Office currently have no set procedures for the collection of accounts receivable relating to Parks and Recreation.

*See Letter of Comments and Recommendations for details regarding the above findings.*

**Revenue and Receivables Testing:**

- **We performed a test of receipts over use of recreational facilities and various activities. The following attributes were tested:**
  - **Review of contracts and lease agreements**
    - We obtained and reviewed the lease agreements with Greater Watertown Red and Black, Inc., Watertown Sports Ventures, Inc., Watertown Golf Club, Inc. as well as the bulk ice rental and concession and advertising agreements with Watertown Minor Hockey Association to verify if payments were received by the City in accordance with the agreements. We noted that Parks and Recreation was responsible to bill the organizations for the majority of the provisions under the agreements. However, the Senior Account Clerk of the Parks and Recreation Department stated she was not responsible to bill for the bulk ice annual fee or the Watertown Golf Club annual lease payment. We noted that the January 1, 2011 final payment for the bulk ice of \$21,500 was not billed until May 2011 and there was no evidence of receipt of the '09-'10 concession fee for the period 3/1-5/31/10 as well as the electric/trash amount of \$1000 under the Watertown Minor Hockey Association concessions and advertising agreement. We received deposit documentation from the Comptroller's Office that payments were received from this customer on May 20, 2011. We noticed that the majority of the invoices for these agreements were not billed timely for the three year period 2008-2010. Also, we noted that concession payments were received from the various Organizations; however, there was no supporting documentation required or obtained with payments to ensure that the City was receiving the correct amount, except for the Watertown Minor Hockey Association who had attached quarterly sales tax reports with their payment.
  - **Checked the accuracy of billings based on documented usage**
    - We obtained the arena and field use schedules maintained within the Department. A sample of invoices and receipts was selected from the most recent 3 seasons of usage for the arena, horse ring, baseball fields, other fields, and ice rink. Selections were made using the calendars maintained by the Parks and Recreation Department.

▪ **Arena**

- **2010** – From a population of 20 usages, a sample of 12 was selected. 1 of the 12 events had not been billed, or was in process, as of the date of fieldwork. Of the remaining 11 events, 1 had insufficient supporting documentation to back-up arena usage. Fees for 1 usage could not be agreed to the fee schedule. The event was charged \$2.50 per table for each of the 3 days of usage. Per the City code the cost is \$7 per table for the weekend. Fees invoiced for the 10 remaining events agreed to the fee schedule without exception, however, the following was noted: 1) 1 of the events paid concession fees but there was no documentation to support how much the fee should be, 2) None of the events had support for the usage of tables and chairs. Some events were charged while others were not. It was noted in certain agreements that tables and/or chairs were to be used but there was no charge or change in agreements indicated, 3) It is noted that the arena agreement calls for a non-refundable \$250 deposit at the time of reservation, but no deposits were noted, 4) Proof of insurance, as required by the arena agreement, could not be located for 4 customers.
- **2009** – From a population of 18 usages, a sample of 11 was selected. 1 of the events was noted as cancelled, but there was no documentation for support. All of the remaining 10 events had been billed as of the date of fieldwork. Of the 10 events, 3 had insufficient supporting documentation to back-up arena usage. Fees for 1 usage could not be agreed to the fee schedule. In the Arena Agreement, it was indicated that there was supposed to be a set-up and tear down day for the customer but there is no charge for these additional days. Fees invoiced for the remaining 9 events agreed to the fee schedule without exception, however, the following was noted: 1) None of the events had support for the usage of tables and chairs. Some events were charged while others were not. It was noted in certain agreements that tables and/or chairs were to be used but there was no charge or change in agreement indicated, 2) It is noted that the arena agreements calls for a non-refundable \$250 deposit at the time of reservation, but no deposits were noted, 3) Proof of insurance, as required by the arena agreement, could not be located for 1 customer.

- **2008** – From a population of 15 usages, a sample of 9 was selected. All of the events had been billed as of the date of fieldwork. Of the 9 events, 5 had insufficient supporting documentation to back-up arena usage. Fees for 1 usage could not be agreed to the fee schedule. One client was scheduled for 3 days per the calendar and charged for 4 days with no supporting documentation. Fees invoiced for the remaining 8 events agreed to the fee schedule without exception, however, the following was noted: 1) None of the events had support for the usage of tables and chairs. Some events were charged while others were not. It was noted in certain agreements that tables and/or chairs were to be used but there was no charge or change in agreement indicated, 2) It is also noted that the arena agreements calls for a non-refundable \$250 deposit at the time of reservation, but only 1 deposit was noted, 3) Proof of insurance, as required by the arena agreement, could not be located for 7 customers.

- **Horse Ring**

- **2010, 2009 and 2008** – From a population of 23 usages, a sample of 9 was selected. All of the horse shows had been billed. All 9 of the shows had insufficient supporting documentation to back-up field usage. Fees invoiced for the 9 shows agreed to the fee schedule without exception.

- **Baseball Fields**

- **2010** – From a population of 72 usages, a sample of 21 was selected. 2 of the 21 games had not been billed, or were in process, as of the date of fieldwork. 2 of the games had been cancelled. Of the remaining 17 games, 10 had insufficient supporting documentation to back-up field usage. Fees invoiced for the 17 games agreed to the fee schedule without exception.
- **2009** - From a population of 78 usages, a sample of 23 was selected. 6 of the 23 games had not been billed, or were in process, as of the date of fieldwork. 1 of the games selected had no charge associated with it as it moved to a non-City field. Of the remaining 16 games, 5 had insufficient supporting documentation to back-up field usage. Fees invoiced for the 16 games agreed to the fee schedule without exception.



- **2008** - From a population of 78 usages, a sample of 22 was selected. 1 of the games selected had no charge associated with it as it was a City league. Of the remaining 21 games, 16 had insufficient supporting documentation to back-up field usage. Fees for 1 of the 21 games could not be agreed to the fee schedule. The charge was for 1 game (\$50) and 1 doubleheader (\$80), but there was no indication that one of the three games played was a double header. Fees invoiced for the remaining 20 games agreed to the fee schedule without exception.

▪ **Other Fields**

- **2010** – From a population of 232 usages, a sample of 40 was selected. 9 of the 40 games had not been billed, or were in process, as of the date of fieldwork. 1 of the games was noted as cancelled with supporting documentation. Of the remaining 30 games, 3 had insufficient supporting documentation to back-up field usage. Fees for 12 field usages could not be agreed to the fee schedule. These fees were based off of rosters and no rosters were available for our review. Fees invoiced for the remaining 18 games agreed to the fee schedule without exception, however, the following was noted: 1) There did not appear to be any additional charges to teams for use of the lights when indicated, 2) There were no additional maintenance charges to teams paying a seasonal roster fee, 3) There was no supporting documentation for groups paying concession fees.
- **2009** – From a population of 330 usages, a sample of 50 was selected. 6 of the 50 games had not been billed, or were in process, as of the date of fieldwork. 1 of the games was noted as cancelled, there was no supporting documentation of this. Of the remaining 43 games, 20 had insufficient supporting documentation to back-up field usage. Fees for 11 field usages could not be agreed to the fee schedule. 10 out of 11 of these fees were based off of rosters and no rosters were available for our review. 1 out of the 11 was for light charges indicated on the backup documentation but no charges were made when invoiced. Fees invoiced for the remaining 32 games agreed to the fee schedule without exception, however, the following was noted: 1) There were no additional maintenance charges to teams paying a seasonal roster fee and 2) There was no supporting documentation for groups paying concession fees.

- **2008** From a population of 392 usages, a sample of 60 was selected. All of the games had been billed as of the date of fieldwork. 7 of the usages had no charge associated with them as they were for City leagues and programs. Of the remaining 53 games, 36 had insufficient supporting documentation to back-up field usage. Fees for 21 field usages could not be agreed to the fee schedule. 16 out of 21 of these fees were based off of rosters and no rosters were available for our review. 4 out of 21 of these fees were for adult football games. There was no contracted amount and the fee charged per game did not agree to the fee schedule. 1 out of 21 of these was for a negotiated fee with no documentation to support the fee or its approval. Fees invoiced for the remaining 32 games agreed to the fee schedule without exception, however, the following was noted: 1) There did not appear to be any additional charges to teams for use of the lights, 2) There were no additional maintenance charges to teams paying a seasonal roster fee, 3) There was no supporting documentation for groups paying concession fees.

▪ **Ice Rink**

- **2010-11** – From a population of 379 usages, a sample of 59 was selected. 20 of the 59 usages had not been billed, or were in process, as of the date of fieldwork. 2 of the usages selected were noted as cancelled, but there was no documentation supporting the cancellation. Of the remaining 37 billable usages, 1 had insufficient supporting documentation to back-up ice time usage. Fees invoiced for the 37 games agreed to the fee schedule without exception, however the following was noted: 1) One group had unbilled time of 2 hours and 23 min per our calculation. (\$166.83).
- **2009-10** – From a population of 413 usages, a sample of 59 was selected. 2 of the 59 usages had not been billed, or were in process, as of the date of fieldwork. 2 of the usages selected were noted as cancelled, but there was no documentation supporting the cancellation. Of the remaining 55 billable usages, all but 4 had sufficient supporting documentation to back-up ice time usage. Fees for 1 usage could not be agreed to the fee schedule. The difference was \$10.49. Fees for the remaining 54 games agreed to the fee schedule without exception, however the following was noted: 1) Nevin Group was under billed \$119.98 due to being billed for less time than they actually used and reserved.

- **2008-09**– From a population of 369 usages, a sample of 59 was selected. All usages had been billed as of the date of fieldwork. Of the 59 billable usages, 10 had insufficient supporting documentation to back-up ice time usage. Fees for 1 usage could not be agreed to the fee schedule. The difference was \$9.29. Fees for the remaining 58 games agreed to the fee schedule without exception.
- **We obtained rosters and supporting documentation for the 2010 summer golf clinic. As no rosters were maintained by the Department, rosters were obtained from the Watertown Golf Club which had been prepared by the instructors. The following was noted:**
  - No registration forms or payments could be located for 9 children reported on the Session 1 and 2 rosters.
  - There were 5 children noted on the rosters for both Session 1 and 2 but with registration forms and payments only for Session 1.
  - There were 17 children noted with registration forms, invoices and payments that were not included on the rosters for Session 1 or 2.
  - 9 children were registered and paid for both sessions but were only included on the roster for Session 1. We noted that 48 checks received for the summer 2010 golf and tennis clinics were not deposited and Parks and Recreation returned the checks requesting a check re-issuance in spring of 2011. One check was still in the Parks and Recreation Department's possession as of the date of fieldwork.
- **Tested the timeliness of billings**
  - **In order to test billing timeliness, the date that the activity or event occurred was compared to the date it was invoiced. For testing purposes, we considered any event or activity invoiced after 30 days to be untimely.**
    - **Arena**
      - **2010** – From a population of 20 usages, a sample of 12 was selected. 1 of the 12 events had not been billed, or was in process, as of the date of fieldwork. Of the remaining 11 events, all were billed >30 days after the date of the game and deemed untimely.
      - **2009** – From a population of 18 usages, a sample of 11 was selected. One of the events was noted as cancelled. All of the remaining 10 events had been billed as of the date of fieldwork. Of the 10 events, 4 were billed >30 days after the date of the game and deemed untimely.

- **2008** – From a population of 15 usages, a sample of 9 was selected. All of the events had been billed as of the date of fieldwork. Of the 9 events, all 9 were billed >30 days after the date of the game and deemed untimely.
- **Horse Ring**
  - **2010, 2009 and 2008** – From a population of 23 usages, a sample of 9 was selected. All of the shows had been billed as of the date of fieldwork. Out of the 9 shows, 8 were billed >30 days after the date of the show and deemed untimely.
- **Baseball Fields**
  - **2010** – From a population of 72 usages, a sample of 21 was selected. 2 of the 21 games had not been billed, or were in process, as of the date of fieldwork. 2 of the games were noted as cancelled, but there was no documentation for support. Of the remaining 17 games, all were billed >30 days after the date of the game and deemed untimely.
  - **2009** - From a population of 78 usages, a sample of 23 was selected. 6 of the 23 games had not been billed, or were in process, as of the date of fieldwork. 1 of the games selected had no charge associated with it as it was moved to a non-City field. Of the remaining 16 games, all were billed >30 days after the date of the game and deemed untimely.
  - **2008** - From a population of 78 usages, a sample of 22 was selected. 1 of the games selected had no charge associated with it as it was for a City league. Of the remaining 21 games, all were billed >30 days after the date of the game and deemed untimely.
- **Other Fields**
  - **2010** – From a population of 232 usages, a sample of 40 was selected. 9 of the 40 games had not been billed, or were in process, as of the date of fieldwork. 1 of the games was noted as cancelled, and had documentation to support this. Of the remaining 30 games, all were billed >30 days after the date of the game and deemed untimely.

- **2009** – From a population of 330 usages, a sample of 50 was selected. 6 of the 50 games had not been billed, or were in process, as of the date of fieldwork. 1 of the games was noted as cancelled, but there was no documentation to support this. Of the remaining 43 games, 36 were billed >30 days after the date of the game and deemed untimely.
  - **2008** – From a population of 392 usages, a sample of 60 was selected. All of the games had been billed as of the date of fieldwork. 7 of the usages had no charge associated with them as they were for City leagues and programs. Of the remaining 53 games, 51 were billed >30 days after the date of the game and deemed untimely.
- **Ice Rink**
    - **2010-11** – From a population of 379 usages, a sample of 59 was selected. 20 of the 59 usages had not been billed, or were in process, as of the date of fieldwork. 2 of the usages selected were noted as cancelled, but there was no documentation supporting the cancellation. Of the remaining 37 billable usages, 33 were billed >30 days after the date of the usage and deemed untimely.
    - **2009-10** – From a population of 413 usages, a sample of 59 was selected. 2 of the 59 usages had not been billed, or were in process, as of the date of fieldwork. 2 of the usages selected were noted as cancelled, but there was no documentation supporting the cancellation. Of the remaining 55 billable usages, 54 were billed >30 days after the date of the usage and deemed untimely.
    - **2008-09** – From a population of 369 usages, a sample of 59 was selected. All usages had been billed as of the date of fieldwork. Of the 59 billable usages, 58 were billed >30 days after the date of the usage and deemed untimely.
- **Reviewed the account coding of billings:**
    - Revenues for various activities are not tracked or coded separately. There are six budgetary revenue accounts that Parks and Recreation revenues are posted.
  - **Tested for evidence of receipt**
    - Based on testing performed, we note that invoices at the Parks and Recreation Department are not marked as “received” or “paid”.

- **Checked the timeliness of deposits**
  - **In order to test the timeliness of deposits, the date that the payments were received was compared to the date of deposit. For testing purposes, we considered any payment deposited after 3 days of receipt to be untimely. In many cases we were unable to determine the timeliness of deposits because documentation to support the date of receipt was unavailable for review.**
    - **Arena**
      - **2010** – From a population of 20 events, a sample of 12 was selected. 11 of the selected events were billable or billed. Due to lack of documentation, we were unable to determine if 7 of the deposits were timely. 3 of the deposits were determined to be untimely based on the check date. 1 check was never deposited. This check was dated 7/7/10. The check was mailed back to the customer in the spring of 2011 with a request for a new check to be issued and is appropriately included in accounts receivable.
      - **2009** – From a population of 18 events, a sample of 11 was selected. 10 of the selected events were billable or billed. Due to lack of documentation, we were unable to determine if 6 of the deposits were timely. No payment has been received for 3 of the 10 events invoiced and these are all appropriately included in accounts receivable. 1 of the deposits was made timely.
      - **2008** – From a population of 15 events, a sample of 9 was selected. 9 of the selected events were billable or billed. Due to lack of documentation, we were unable to determine if 8 of the deposits were timely. 1 of the deposits was determined to be untimely based on the check date.
    - **Horse Ring**
      - **2010, 2009 and 2008** – From a population of 23 usages, a sample of 9 was selected. All of the selected shows were billed. Due to lack of documentation, we were unable to determine if 2 of the deposits were timely. No payment has been received for 7 of the 9 games invoiced and these are all appropriately included in accounts receivable.

▪ **Baseball Fields**

- **2010** – From a population of 72 usages, a sample of 21 was selected. 17 of the selected games were billable or billed. Due to lack of documentation, we were unable to determine if 7 of the deposits were timely. 1 of the deposits was determined to be untimely based on the date of cash receipt. No payment has been received for 9 of the 17 games invoiced and these are all appropriately included in accounts receivable.
- **2009** - From a population of 78 usages, a sample of 23 was selected. 16 of the selected games were billable or billed. Due to lack of documentation, we were unable to determine if 10 of the deposits were timely. No payment has been received for 6 of the 16 games invoiced and these are all appropriately included in accounts receivable.
- **2008** - From a population of 78 usages, a sample of 22 was selected. 21 of the selected games were billable or billed. Due to lack of documentation, we were unable to determine if 16 of the deposits were timely. No payment has been received for 5 of the 21 games invoiced and these are all appropriately included in accounts receivable.

▪ **Other Fields**

- **2010** - From a population of 232 usages, a sample of 40 was selected. 30 of the selected games were billable or billed. Due to lack of documentation, we were unable to determine if 4 of the deposits were timely. 9 of the deposits were determined to be untimely based on the check date. No payment has been received for 14 of the 30 games invoiced and these are all appropriately included in accounts receivable. 3 of the deposits were made timely.
- **2009** - From a population of 330 usages, a sample of 50 was selected. 43 of the selected games were billable or billed. Due to lack of documentation, we were unable to determine if 24 of the deposits were timely. 4 of the deposits were determined to be untimely based on the check date. No payment has been received for 15 of the 43 games invoiced and these are all appropriately included in accounts receivable.

- **2008** - From a population of 392 usages, a sample of 60 was selected. 53 of the selected games were billable or billed. Due to lack of documentation, we were unable to determine if 35 of the deposits were timely. 8 of the deposits were determined to be untimely based on the check date. No payment has been received for 10 of the 53 games invoiced and these are all appropriately included in accounts receivable.
- **Ice Rink**
  - **2010-11** - From a population of 379 usages, a sample of 59 was selected. 37 of the selected games were billable or billed. Due to lack of documentation, we were unable to determine if 2 of the deposits were timely. 13 of the deposits were determined to be untimely based on the date of cash receipt or check. No payment has been received for 22 of the 37 games invoiced and these are all appropriately included in accounts receivable.
  - **2009-10** - From a population of 413 usages, a sample of 59 was selected. 55 of the selected games were billable or billed. Due to lack of documentation, we were unable to determine if 43 of the deposits were timely. 7 of the deposits were determined to be untimely based on the date of cash receipt or check. No payment has been received for 5 of the 54 games invoiced and these are all appropriately included in accounts receivable.
  - **2008-09** - From a population of 369 usages, a sample of 59 was selected. All 59 of the selected games were billed. Due to lack of documentation, we were unable to determine if 38 of the deposits were timely. 17 of the deposits were determined to be untimely based on the date of cash receipt or check. No payment has been received for 3 of the 59 games invoiced and these are all appropriately included in accounts receivable. 1 invoice has a receipt dated 9/24/08 showing payment of the invoice, however, the invoice is showing in accounts receivable as unpaid.

*See Letter of Comments and Recommendations for details regarding the above findings.*

- **We compared receipts to deposits and reconciled the amounts collected to the amounts deposited.**
  - All receipts tested were in agreement with their respective deposits.

No exceptions were noted.



- **Confirmation of outstanding accounts receivable.**

*Due to the timing of the report and that several customer billings have yet to be processed, confirmation procedures not deemed to be appropriate.*

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Members of City Council and management of City of Watertown, New York and is not intended to be and should not be used by anyone other than those specified parties.

*Poulsen & Podwin, CPA, P.C.*

## **COMMENTS AND RECOMMENDATIONS**

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JOAN McCREADIE  
OFFICE MANAGER

May 20, 2011

To the Members of the City Council and Management  
of City of Watertown, New York

In planning and performing our agreed upon procedures engagement of the City of Watertown's Parks and Recreation Department, we became aware of matters that require corrective action and/or are opportunities for strengthening internal controls and/or operating efficiencies.

We will review the status of these comments during our June 30, 2011 audit engagement of the City of Watertown. Our comments and recommendations are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments and recommendations are summarized as follows:

## **Review Parks and Recreation Staff Duties and Responsibilities:**

We recommend that management review the current alignment of staff and their various duties to ensure that the staff time is being used efficiently and effectively, as well as assessing the department staffing needs. We especially recommend this in light of the overtime that the staff is incurring, the number of bookkeeping inaccuracies we have noted, and the planned retirement of the Supervisor of Parks and Recreation.

Job duties and responsibilities currently performed by the Parks and Recreation staff need to be reviewed, compared to written job descriptions and updated if necessary to reflect clearly defined responsibilities and duties. This would provide management with a basis for redistributing work loads, evaluating personnel requirements, and judging job performance.

## **Document the Parks and Recreation's Processes and Procedures**

After interviewing Parks and Recreation personnel, we noted a certain amount of confusion and conflicting opinions about exactly what tasks are to be performed and what procedures should be required or followed. An example: should an invoice be generated for each participant in the summer golf/tennis programs before cash is brought to the Comptroller for deposit? We recommend that logical processes and sound procedures be formally documented and adopted to avoid the acceptance of weak procedures established through current practice. We also recommend that a comprehensive procedures manual be constructed that would define department programs and accounting policies, procedures, and internal controls. Written procedures, instructions, and assignment of duties will prevent or reduce misunderstandings, errors, inefficient or wasted efforts, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised manual can also help to ensure that all similar transactions are treated consistently and records are produced in the form desired by management. We note that management has addressed some of these issues in their "draft" billing and collection policies and procedures.

## **Improve Organizational Structure and Communication among City Departments**

During our engagement, we observed the structure and role of applicable City employees relating to the Parks and Recreation Department and the ineffectiveness of the current lines of communication. We recommend that management prepare and maintain a chart of organization for the Parks and Recreation Department in sufficient detail to indicate major areas of operations, the person responsible for each area, and who each supervisor reports to as well as which employees report to each supervisor. Also, regular meetings should be held to ensure that policies and procedures are being followed, financial reporting is up-to-date and accurate, and job duties are properly performed. We also believe that greater direction from supervisors/management will help coordinate the challenges facing the Parks and Recreation Department. We note that management has addressed some of these issues in their "draft" billing and collection policies and procedures.

## **Improve Work Place Organization**

During our engagement, we observed a disorganized and cluttered Parks and Recreation Office. A work place organization program should be implemented beginning with performing the following tasks.

- Establish an organized, logical filing system for ease of access to documents and forms
- Establish document retention and destruction guidelines in order to determine what must be maintained within the Department and for how long such documents should be kept
- Establish set areas for secure information and handling cash within the office to prevent access by the public or various Parks and Recreation personnel who are not part of the accounting function. An example: set up a counter at the public entrance of the Department office to prevent entrance to restricted areas of the office.

Office organization will help eliminate waste in the department, such as materials and space, minimizing employees' time searching for pertinent material. Orderly filing should be maintained to insure proper control over all supporting documentation and invoices evidencing revenues, expenditures, etc. Also, office organization projects a professionally run department.

### **Improved Segregation of Duties over Billings**

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is segregation of duties. During the engagement time period, the Senior Account Clerk maintained the field and arena reservation calendars, invoicing for field and arena usage in the City's software system, KVS, and collection of payments. We recommend at a minimum that the department supervisor reconcile the billings to the reservation calendars on a weekly basis to ensure accuracy and completeness. Monthly the Department of Public Works Office Manager should review the prior month's field and arena use per the reservation system to invoices billed on a test basis. All payments should be mailed directly to the Comptroller's office at 245 Washington Street. Currently the Municipal Arena Usage Agreement and the Facility and Athletic Field Agreement directs payments to be sent to the Parks and Recreation Department. These forms should be revised requiring all payments to be made directly to the Comptroller's office. We note that management has addressed some of these issues in their "draft" billing and collection policies and procedures.

### **Improve Cash Receipts Procedures**

The following weaknesses were noted in the cash receipts procedures:

- Cash receipts were not delivered to the Comptroller's office in a timely manner, therefore, not deposited in a timely manner
- Cash receipts were kept in a desk drawer for extended periods of time
- Some cash receipts were not supported with sufficient detail to identify the source
- Cash receipts log not maintained by independent person
- Daily deposit form not being used to summarize daily receipts of cash and checks summarized by applicable general ledger accounts

We recommend that these weaknesses be corrected to improve controls over cash receipts. We note that management has addressed some of these issues in their "draft" billing and collection policies and procedures.

## **Adopt and Follow Billing and Collection Policy and Procedures**

We noted during our engagement that billings for use of the fairgrounds arena and fields were not being done in a timely or organized manner and receivable collection procedures were not in place. We noted that billings were done months to over a year after field or arena usage. The untimely billing practice led to the Senior Account Clerk contacting the customer to verify rental dates prior to the issuance of an invoice. Also, it was noted that several usage charges were not billed as noted on the scheduling calendars. As several usages lacked supporting documentation, we were unable to determine if the need for billing for the usage of lights, tables, chairs, and additional maintenance on fields was necessary. In some circumstances, it was indicated that lights, tables or chairs were used but did not appear to be billed. The Parks and Recreation department had several long overdue accounts receivable balances with no set monitoring process in place. We recommend that a detailed billing and collection policy be implemented to ensure all billings are prepared timely and accurately and receivables are monitored on a regular basis. Parks and Recreation should be responsible for the collection and monitoring of department receivables with a responsibility to provide monthly status updates to the Comptroller's office. Also, we recommend that the City review its credit and collection policy to determine whether additional steps could be made to aid in collection of accounts. We note that management has prepared a "draft" billing and collection policy and procedures to address some of these issues.

## **Improve Scope and Consistency of Fee Schedule and Agreements**

While performing various tests of receipts, we noted several instances when the current fee schedule was unclear or appeared inconsistent regarding certain usage situations. In these cases, further clarification was obtained from Parks and Recreation Department staff on how they bill in these situations. The following represent such situations where questions arose:

- **Lights:** On the Fairground's main baseball field should there be charges for lights? There is no fee indicated on the fee schedule. For fields with light fees, it does not appear that these charges are being made consistently.
- **Tables and Chairs:** Should fees for tables and chairs be charged for concerts in the arena? There is no documentation to support when tables and chairs were used for events.
- **Roster Fees:** Are one time seasonal roster fees paid by a group sufficient to cover field usage for practices, games, use of lights and maintenance? Some roster fees are as low as \$10 based on city/non-city residents on the team. Who determines whether a team or group should use a roster fee vs. pay for daily usage?
- **Time Overages:** Should ice time overages be charged by the minute? This increases the risk of billing errors. Would it be more efficient to use time intervals?

- **Pool Fees:** No pool fees were noted in the City code. A pool fee schedule was provided to us by the Parks and Recreation Department.
- **Parks and Recreation Municipal Arena Usage Agreement:** Provision #2 of the Agreement states that a non-refundable deposit of \$250 is required to secure the building at the time the reservation for usage is requested. The deposit is to be deducted from the total amount owed. Only one instance was noted during our testing where a deposit was collected in accordance with City policy. Also, per review of signed Agreements, we noted that most agreements were not completed in full or signed by the customer. Furthermore, there were a few instances where there was no Agreement available for our review. Provision #3 of the Agreement states that proof of insurance must be provided 10 days prior to events. We noted many instances where the insurance certificate for an event could not be located to provide for our review.

We recommend that the current Schedule of Fees and Usage Agreements be reviewed and revised to ensure consistent uniform fees are charged and to provide clarity to billing practices followed. Under the current fee schedules and Parks and Recreation Department practices, it would be difficult for an independent person not familiar with current billing practices to assume the billing for the Parks & Recreation Department.

Also we recommend that before all events the agreements be filled out in full, noting table and chair usage as well as any other special requests, and signed by the customer. This would provide adequate support for the usage and the associated billing.

### **Scheduling/Reservation Software & Training**

We noted during our engagement that Parks and Recreation continues to use paper calendars or excel worksheets to track reservations of arena and field use which are used to generate billings for usage. We noted that the City purchased web based scheduling software in the later part of 2007 and the software has not been used. We recommend that the software should be evaluated jointly by all applicable departments with additional training if necessary to determine if the software will meet the scheduling needs of the Park and Recreation Department. The goal of using automated scheduling software should eliminate the use of paper calendars, facilitate timely billings supported by reliable source documentation, allow the public to request the use of the Park and Recreation facilities on-line. Another goal of using automated scheduling software is to track and monitor scheduling and reduce staff time devoted to scheduling.

## **Support Documentation for Field Usage**

During our testing of customer billings, we noted many instances where the single page form used by the Department of Public Works staff to document field usage was not attached or available to support usage of the field. Also, the current form does not require authorized signatures by users of the field to acknowledge agreement. We recommend that this form be revised to include the signature of the person authorized to use the field. The form should also be revised to include documentation of light usage or any other special needs of the group. Forms should be completed by Department of Public Work employees that are working and monitoring the fields being used. The forms should be turned into the Parks and Recreation office within one business day of field usage. These forms should be attached to the invoice to support the amount billed.

## **Adopt an Electronic Collections System**

At present, the City uses a system involving the manual processing of paper checks and cash received in payment of accounts receivable. We recommend that the City consider adopting an automated, electronic collection system under which customers would be offered the opportunity to make payments via methods, such as, automated clearing house (ACH) automatic withdrawals from their bank account, electronic banking, automated phone systems, or by credit or debit card transactions over the Internet. Advantages of such a system include the reduction or elimination of manual handling, processing, and deposit of paper checks received, as well as the potentially positive effect on cash flow from more timely payments by customers and quicker access to the cash. The City may also experience fewer returned checks. Also, many customers will appreciate the convenience of access to 24-hour bill paying, reduced postage and envelope costs, not having to write checks, and compatibility with their own automated bill payment system. There may, however, be disadvantages if the collection system is not properly integrated with the accounts receivable system as well as fees associated with offering this service. In addition, the City's system may have to continue to provide for some manual receipts if some customers or banks do not have the capability of initiating or handling electronic payments.

## **Concession Stand Controls over Inventory and Receipts**

During our review of concession operations, it was noted that the arena concession stand during 2010-11 period did not use a cash register to track sales and receipts. Monies were kept in a cash box and monies were placed in an envelope noting amount of cash inside and dropped in the safe lock box in the concession area. There was no tracking of sales of inventory items and therefore inventory control is limited. We recommend at a minimum that a cash register be used to reconcile sales to cash collections. The preferred cash register system would track inventory, accept credit/debit cards, and provide register reports to support sales, usage and maintain perpetual inventory records. The register system would assist in reconciling cash receipts to sales, maintain perpetual inventory records that would serve as a check on the concession workers, provide information for adequate purchase control and useful in tracking physical inventories.



It was noted during our tour of the concession area, that department employees are allowed to enter the concession area and leave money for soda and candy items. This practice should be discontinued as there is no way to track usage.

It was also noted through discussion with staff, that only one set of keys exists for the safe lock box. Additional keys should be made or the safe re-keyed or the purchase of a new safe may be necessary.

### **Process and Procedures for Summer Program Activities**

We reviewed the process and procedures relating to the summer 2010 golf program. It was determined that a roster of participants was not maintained by Parks & Recreation summarizing registration forms received with applicable fees collected, therefore reconciliation of program revenues was difficult. Program monies collected from participants were not delivered to the Comptroller's office in a timely manner as the Senior Account Clerk thought an invoice needed to be generated in the financial software system, KVS, before monies were to be remitted. Monies collected for 2010 summer program activities were delivered to the Comptroller's office in the spring of 2011. We also noted that 63 checks were returned to customers in the spring of 2011 requesting the party to reissue the checks due to untimely processing. The majority of these checks were from the 2010 summer program. We recommend that a roster for each summer program activity should be created noting the child participating, session participating in and monies collected. There is no need to generate an invoice for each participant. This roster should be created from the registration forms collected from Parks and Recreation. The monies collected should be remitted to the Comptroller's office daily. The final roster should agree with the registration forms and monies collected. Also, the roster should be provided to the Golf Club showing who the paid participants are who will be attending the clinics. The final roster should be kept with the registration forms to support reconciliation. The Parks & Recreation Supervisor or the Department of Public Works Office Manager should review the program reconciliation at the completion of the activity. The final roster reconciliation should be provided to the Comptroller's office and compared to deposits received. This process and procedure should be followed for each summer program activity held.

### **Contract and Lease Agreements for Parks & Recreation Facilities**

Due to the inconsistencies in billing procedures for contract and lease agreements for Parks and Recreation facilities, we recommend that billing procedures relating to these contracts should be centralized, i.e. the same department should be responsible to ensure billings are generated in a timely manner for all provisions of the contracts, which should be the Parks and Recreation department as they bill for the majority of the contract provisions.

Also, these contracts include provisions that the City is to be paid 10% of gross concession sales including vending machines within specified time periods. There was no support documentation received or attached to ensure that the City was receiving the correct amount. We recommend that documentation/support should be obtained from the organizations to support the payments.

One alternative the City may want to consider is a flat rental charge for the concession portion of these contracts instead of a percentage of sales.

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